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MEETING OF
SENATE COMMITTEE ON WAYS AND MEANS

JUNE 23, 2016
COMMENCING AT 12:15 P.M.



1 CHAIRMAN MASTERSON: With that,
2 Committee, we are going to call the meeting to
3 order.

4 This meeting is to take action and address
5 Senate Bill 1 that we just had a hearing on from
6 all parties. I would -- when it comes time for a
7 final action on the bill, this is an
8 appropriations bill and we will require a roll
9 call vote.

10 With that, does the committee have a will on
11 the bill that is before us or comments?

12 Senator Melcher.

13 SEN. MELCHER: Thank you, Mr. Chairman.
14 I would move that we pass Senate Bill 1 favor --
15 or move Senate Bill 1 favorable for passage.

16 CHAIRMAN MASTERSON: Senator Kelly would
17 like to offer an amendment. What we will do is
18 we'll move to her first and return to that.

19 Senator Kelly.

20 SEN. KELLY: Thank you, Mr. Chair. I do
21 have an amendment. It's conceptual.

22 CHAIRMAN MASTERSON: Yeah, thank you for
23 that reminder. Normally, we must have our
24 amendments in writing, but given the time frame we
25 are accepting conceptual amendments.



1 Senator Kelly.

2 SEN. KELLY: Thank you, Mr. Chair. In
3 the bill before us, Senate Bill 1, there is a
4 \$13,000,000 item that would the 0.5 percent
5 reduction in state general aid to our school
6 districts. I would like to strike that and
7 substitute for it that we increase the -- well,
8 decrease the funding for virtual schools to 7.3
9 million, or that we take 7.3 million from the
10 virtual school funding. That would return it to
11 the 2014-2015 levels. That's when we did the
12 block grant. If you remember, we did the block
13 grant and we froze all regular students' base
14 state aid, but for virtual students we actually
15 gave them a 23 percent increase, anticipating
16 another 12 percent increase for fiscal year '17 by
17 reducing that by the 7.3 million. That will put
18 them back on the same playing field as regular
19 students.

20 And then in addition to that, I would sweep
21 the rest of the extraordinary need funds, for a
22 total of 17.5, which will give us that additional
23 8,000,000. So that 8,000,000 and the 5.1 that we
24 really picked up from virtual schools, because
25 there was some reduction in Senate Bill 1, is a



1 total of 13.1 million. So I would like to strike
2 the 0.5 percent reduction in general state aid and
3 substitute these two funding sources.

4 CHAIRMAN MASTERSON: I have a motion. Is
5 there a second? Second by Senator Francisco.

6 Discussion? Senator Denning.

7 SEN. DENNING: Thank you, Mr. Chairman.
8 I won't be supporting this amendment. We have
9 basically an agreement with the winners and
10 losers, large and rural and urban. And just as
11 importantly, we were pretty sure we'd have an
12 agreement with the caucus in general to look at
13 the way that 99.4 million is reallocated and new
14 money going into the school system. That's inside
15 Senate Bill 1 which we heard this morning.

16 I think if we move anything around, we are
17 either going to lose school districts or votes in
18 our caucus, and especially Johnson County. Again,
19 we are the -- we are the glue that's holding this
20 thing together and we are taking a lot more pain,
21 and willing to take the pain, so that we can make
22 sure that our schools remain open at the end of
23 the day today. So I won't be supporting the
24 amendment.

25 CHAIRMAN MASTERSON: Senator Tyson.



1 SEN. TYSON: Thank you, Mr. Chairman.
2 Does the carrier of the motion have numbers as to
3 what schools would be impacted?

4 SEN. KELLY: I don't have a run,
5 obviously, because I just did this on the fly.

6 SEN. TYSON: I would need to see that
7 before supporting such an amendment. Thank you,
8 Mr. Chairman.

9 CHAIRMAN MASTERSON: Senator Francisco.

10 SEN. FRANCISCO: Thank you, Mr. Chairman.
11 Actually, I asked and got some help from the staff
12 in looking at the runs, and I know that I
13 understand one has been done on virtual schools,
14 as well as a separate one on the other
15 implications of the bill. My computer is telling
16 me right now that it won't allow me access to that
17 and I can't open it, so I'm -- I picked up my
18 computer that was taken away from us and just got
19 it back today. So I am concerned because we don't
20 have an opportunity to look -- or I don't have
21 that opportunity to look at the existing runs.

22 I would also like some information, in
23 reference to this particular amendment, about what
24 the appropriation for general state aid includes,
25 if this is the amount of general state aid. I



1 received something from one of the school
2 districts that talks about how they would
3 calculate that, and then there is a different
4 number on the runs from the Department. It's not
5 the same as what they can highlight as general
6 state aid. So I think this is an amendment we
7 should be discussing, but one that we should not
8 be discussing without those runs available to all
9 of us.

10 CHAIRMAN MASTERSON: We are having those
11 handed out right now as a hard copy for anybody
12 who didn't have access online. And Deputy
13 Commissioner Dale Dennis is in the room and he can
14 come forward and explain what is in the
15 calculations and the calculations by the
16 Department.

17 SEN. FRANCISCO: Thank you. Senator
18 Kelly.

19 SEN. KELLY: Mr. Chair, I do have with me
20 some runs that were put together by the Department
21 of Education that are -- that would give us some
22 idea what this will be because these runs don't
23 include the 25 percent reduction. They do those
24 other things, but I don't think they'll have that
25 much of an impact on it. So if it would be okay,



1 I'd like to pass these out to the committee and
2 they can take a look at what amount reducing the
3 0.5 virtual --

4 CHAIRMAN MASTERSON: We'll have those
5 passed out. Before we get too far, I'm going to
6 have Dale address the question of Senator
7 Francisco and then we'll move on.

8 MR. DENNIS: The half percent is based on
9 just general state aid. If you look at the
10 general fund of schools, which would be easy to
11 make a mistake, remember, we block granted a lot
12 of things in there, KPERS, LOB state aid, special
13 ed, this is just general state aid. It's 2.605
14 billion, and a half percent of that just over 13
15 million.

16 CHAIRMAN MASTERSON: Thank you, Dale.
17 Senator O'Donnell.

18 SEN. O'DONNELL: Thank you, Mr. Chair. I
19 would just like to comment that I think this is a
20 waste of time. I think that the Senator from
21 Shawnee had plenty of time to get something
22 drafted or could have alerted people before. We
23 are in a tenuous situation. We have the school
24 districts, my school district, while not full-
25 heartedly supporting it, they definitely are okay



1 with the bill. And I think there is too much
2 uncertainty that this would cause to derail the
3 entire plan that seems to be holding together
4 right now. And as Senator Denning already said,
5 Johnson County would not support this amendment.
6 I think this will be a waste of time knowing this
7 will not pass, Mr. Chair, and we should go to
8 voting.

9 CHAIRMAN MASTERSON: Senator Kelly.

10 SEN. KELLY: Thank you, Mr. Chair. I
11 don't think it's a waste of time to let democracy
12 to work its way out. We are here to discuss these
13 kinds of things, so -- and I did prepare, as the
14 Chair, and if the Senator from Sedgwick was there,
15 I did offer a bill at the Rail this morning in
16 Ways and Means that was accepted. So I don't know
17 if that -- if the bill was drafted yet from the --
18 do we have it? And the runs that have just passed
19 out, too, are based on that bill.

20 And I also have, if you are okay, Mr. Chair,
21 I have sort of bullet points for the revenue
22 breakdown on the bill that may or may not be here.

23 CHAIRMAN MASTERSON: As that's being
24 passed out, we will continue our comment and
25 discussion on the amendment. I would say that --



1 I mean, echoing the comments from the Senator from
2 Johnson, the deal, if you will, a compromise, in
3 my opinion is very fragile. And I know, for
4 instance, the virtual piece was a sensitive
5 variable in that, as well as several other
6 variables. So that's just a comment on my
7 experience with that conversation.

8 Senator Kerschen.

9 SEN. KERSCHEN: Thank you, Mr. Chairman.
10 How many school districts do we have on board, at
11 least, that do not support or are neutral across
12 the state, do we have a count of some kind?

13 CHAIRMAN MASTERSON: You had five testify
14 orally and I think you had four more proponents in
15 written. And then in the conversation with G.A.
16 Buie with the Association of Administrators, he
17 indicated his best estimate was somewhere around
18 40 to 50 percent, although I don't have any
19 paperwork confirmation on that.

20 Senator Melcher.

21 SEN. MELCHER: Thank you, Mr. Chair. I'm
22 going to have difficulty with this, as well. The
23 reason being, I made a commitment that I would not
24 be supporting a bill that wasn't publicly
25 supported by the districts that I represent, and I



1 haven't received that support on alternative
2 bills. So being that this is a pretty fragile
3 agreement, I would not be supporting it, as well.

4 CHAIRMAN MASTERSON: Further question or
5 comment on the amendment? Senator Kelly.

6 SEN. KELLY: Thank you, Mr. Chair. In
7 the previous joint meeting, I heard some of the
8 superintendents express support for this as a one-
9 year solution to a problem. I don't think they
10 were making a long-term commitment to reduced
11 funding for their districts. And I don't know how
12 or what we can do, either during this special
13 session or even in the next session, that will
14 make a difference in the revenue that we are going
15 to have available to us to reverse this action
16 that we are about to take today. So we are
17 building a reduction, a multi-year reduction for
18 our school districts, and I think we just need to
19 be honest about that.

20 CHAIRMAN MASTERSON: That, I would
21 completely disagree with that characterization
22 because as you develop a new formula, that formula
23 will generate the amount of money. There would be
24 nothing built in. This is a one-year bill.
25 Everything dies at the end of the year, so there



1 will have to be a new formula created and that
2 will generate. So the truth is nothing done today
3 will be built in in any fashion.

4 Senator Kelly.

5 SEN. KELLY: Mr. Chair, I think we are
6 all going to be kidding ourselves if we pretend
7 that there will not have to be some adjustment
8 upwards in our revenues in order to not make this
9 a multi-year reduction in school funding.
10 Anything that we do, should we do something in the
11 beginning of next session, it would go into effect
12 after the session is finished and the impact of
13 that won't be felt when we are discussing the next
14 school funding.

15 CHAIRMAN MASTERSON: Senator Tyson.

16 SEN. TYSON: Thank you, Mr. Chairman. I
17 have to digest a bunch of information. There is
18 almost 22 school districts that touch my senate
19 district. So in order to digest this quickly, I
20 would request, and I know I can't get it before we
21 end this meeting, but I would request that we get
22 a run of the LOB, capital outlay and the half
23 percent impact each school district would have in
24 the state, if that would be okay.

25 CHAIRMAN MASTERSON: Is there a run being



1 produced? Further questions on the amendment?

2 Senator Francisco.

3 SEN. FRANCISCO: I was just asking if we
4 could include the change in virtual school funding
5 to that.

6 CHAIRMAN MASTERSON: I believe that's
7 part of that run.

8 Senator Fitzgerald.

9 SEN. FITZGERALD: Thank you, Mr.
10 Chairman. On the amendment, the remarks of
11 Senator Tyson, we have a situation that is
12 complex. We have a large number of people who
13 have been involved with and made commitments.
14 They, I believe, have probably consulted with
15 others, such as Senator Melcher has talked with
16 his superintendents. I'm sure superintendents
17 have talked to others, their school boards, other
18 people. There is a fragile concurrence with the
19 -- with the bill as drafted. The understanding of
20 the bill is as written. To make a change at this
21 point would have a ripple effect in order to
22 maintain the alliance that we have in order to
23 make this happen. Time does not permit that.

24 And I think this is a case of perhaps trying
25 to make something better is going to ruin it.



1 Good enough is good enough. Trying to put too
2 sharp a point on it, which I think this amendment
3 is attempting to do, is in fact going to destroy
4 the agreement that we have because I don't think
5 we can adjust everybody, adjust all the
6 expectations that are -- that have been set in
7 place. So I think it's nothing to the merits of
8 the amendment, it's just that I think that it's
9 inappropriate at this time, given the process that
10 we are going through. Thank you, Mr. Chairman.

11 CHAIRMAN MASTERSON: Senator Francisco.

12 SEN. FRANCISCO: Thank you, Mr. Chair.
13 During the testimony this morning, I heard a
14 request that we look at all available sources of
15 revenue to address this issue before we looked at
16 reducing across-the-board state aid. I thought
17 that was a reasonable request in that testimony
18 that we heard, and I think there should be some
19 opportunity for review of that.

20 I appreciate that Senator Kelly made the
21 effort to introduce a bill that had some
22 alternatives. I know that there are other
23 alternatives that were mentioned. How, in this
24 process, can those be accommodated if we are
25 hearing right now it's too late because the



1 fragile agreement has already been reached?

2 CHAIRMAN MASTERSON: Like every other
3 normal process, this clearly has a timeline. So
4 too late is the matter of the opinion of several
5 on this committee, I think, but was welcomed to
6 the opportunity, and we are right now discussing
7 alternatives.

8 Further question or comment on the amendment?

9 Seeing none, on the amendment, all in favor,
10 say aye. (Voice vote.) Opposed no. (Voice vote.)
11 Motion failed.

12 Back on the bill. Further question or
13 comment? Senator Francisco.

14 SEN. FRANCISCO: Thank you, Mr. Chair. I
15 appreciate that the information received on the
16 revenue package had some other suggestions, and I
17 would like to make an amendment that we repeal the
18 program for the tax credit for private school
19 scholarships and add those funds to the
20 extraordinary needs state aid.

21 CHAIRMAN MASTERSON: I have a motion and
22 a second. Questions on the amendment? Seeing
23 none, all in favor, say aye. (Voice vote.)
24 Opposed no. (Voice vote.) Motion failed.

25 Back on the bill. Further question or



1 comments? Senator Kerschen.

2 SEN. KERSCHEN: Thank you, Mr. Chairman.

3 I have a question, but I appreciate all the
4 support we have. My question is, Johnson County
5 put this together. How confident are you --
6 support is one thing, but is the Court going to
7 accept it? How confident are we that the Court is
8 going to accept it?

9 CHAIRMAN MASTERSON: I have zero
10 confidence in crystal balling the Court at any
11 level, quite frankly. I felt like we had
12 confidence many times going before that Bench and,
13 quite frankly, the goal posts have moved. So I
14 think you heard from the attorneys the latest was
15 safe harbor is the term they are using for
16 equalization, which is the 81.2 LOB and the
17 capital -- old capital outlay formula, which this
18 bill contains. They would have to go back on
19 their current decision in order to not accept this
20 as solving the equity portion in their own
21 opinion.

22 Further question or comment on the bill?
23 Senator Tyson.

24 SEN. TYSON: Thank you, Mr. Chairman. I
25 appreciate all the work that's gone into it and



1 all the numbers and runs that we have gotten.
2 What I don't appreciate is that we have a Court
3 that is trying to outguess the information that we
4 are looking at, and it's really disheartening
5 because this bill, while I understand it meets the
6 Court's needs, it does not meet the needs of the
7 schools in my district. I will be supporting the
8 bill to get it out so that we can address the
9 Court's position, but I do want to express my
10 concern. Thank you.

11 CHAIRMAN MASTERSON: Senator Francisco.

12 SEN. FRANCISCO: Thank you, Mr. Chair. I
13 have another amendment, conceptual amendment.

14 We learned this morning that the amount that
15 was being generated from the reduction of the .05
16 percent was 13 million. It turns out that is
17 pretty much equal to the amount that I understand
18 may be available in the job creation program that
19 has not been moved out of that fund yet. So I
20 would make the motion that rather than reduce the
21 budgets for all our school districts by the .05
22 percent, that we fund that with monies that have
23 been in use from the job creation program.

24 I know that we may want to hear a little bit
25 from the administration. I hope to continue that



1 to find out where those dollars are at this point,
2 but I think this is a motion that would not be
3 against that fragile agreement that we have
4 because it is only putting additional funds
5 available to all the school districts.

6 CHAIRMAN MASTERSON: I have a motion.

7 SEN. KELLY: Second.

8 CHAIRMAN MASTERSON: Second by Senator
9 Kelly. Discussion on the motion? Seeing none,
10 all in favor, say aye. (Voice vote.) Opposed no.
11 (Voice vote.) Amendment fails.

12 Back on the bill. Further question, comment
13 or amendment? Seeing none -- oh, Senator
14 Francisco.

15 SEN. FRANCISCO: Thank you. Mr. Chair, I
16 just wanted to have some additional conversation
17 in this committee about the effort or the concern
18 for adequacy that -- you know, again my
19 understanding is that \$23,000,000 of the funds
20 we've identified for this are coming currently
21 from the allocations to school finance so that
22 those would generally all then be transferred to
23 reducing mill levies for property tax relief. So
24 that's -- we are taking 23 million to get from
25 current budgets that are available to the schools



1 and using it to reduce property tax relief.

2 CHAIRMAN MASTERSON: I think that's a
3 little more complicated than that, but a
4 relatively fair statement, but clearly complies
5 with what the Court had asked us to do this phase,
6 if you will. The case is about equity and about
7 how that's distributed. I would note that there
8 was still the 8,000,000 in excess, so -- in the
9 extraordinary needs fund also having a possibility
10 of dealing with other needs and equity. I think
11 this is the best solution for the time frame we
12 are in.

13 Senator Francisco.

14 SEN. FRANCISCO: Thank you, Mr. Chair. I
15 think my concern regarding the extraordinary needs
16 fund is that we are now entering a second tier of
17 the block grant program, and so schools that have
18 seen increases in pupils are going to -- might
19 have that -- might see additional pupils that --
20 things that may have not been extraordinary needs
21 in the first year of the implementation of that
22 block grant, might see further disequalization
23 because of that or concerns, you know, per pupil.
24 So I believe that we do not want to undermine
25 adequacy, and that remains my concern about this



1 bill.

2 CHAIRMAN MASTERSON: A note there, there
3 is nothing that deals with the per pupil
4 enrollment side that affects the equity portion.
5 That's based on your property value, taxes there.
6 And that is why, as part of the compromise,
7 leaving 8,000,000 in extraordinary needs fund
8 available for those types of issues was important
9 to the final compromise, but I understand your
10 concern.

11 Further question or comment? Senator Arpke.

12 SEN. ARPKE: Thank you, Mr. Chair. Kind
13 of a point of order. I don't quite have the
14 hearing as far as who, but I didn't hear a second
15 for Senator Melcher. So if there wasn't one, I
16 would make a second.

17 CHAIRMAN MASTERSON: We -- I recognized
18 Senator Kelly in front of him. Actually, we need
19 to return to that order. If everybody is ready to
20 go, there would need to be an original motion
21 again.

22 Senator Melcher.

23 SEN. MELCHER: Thank you, Mr. Chairman.
24 I move Senate Bill 1 favorably for passage.

25 CHAIRMAN MASTERSON: There is a second by



1 Senator Arpke. Discussion?

2 Senator Kerschen.

3 SEN. KERSCHEN: Thank you, Mr. Chairman.
4 I think I am going to support this bill, but I do
5 have reservations about the base state aid
6 reduction. I'm nervous about the Court rejecting
7 that. So other than that, I want to get it out of
8 committee and get it to the floor.

9 CHAIRMAN MASTERSON: Any further question
10 or comment? Seeing none, all in favor, say aye.
11 (Voice vote.) Opposed no. Oh wait,
12 appropriations bill, we need a role call. We'll
13 call the roll.

14 SEN. CLERK: Senator Arpke?

15 SEN. ARPKE: Aye.

16 SEN. CLERK: Denning?

17 SEN. DENNING: Aye.

18 SEN. CLERK: Fitzgerald?

19 SEN. FITZGERALD: Aye.

20 SEN. CLERK: Francisco?

21 SEN. FRANCISCO: No.

22 SEN. CLERK: Kelly?

23 SEN. KELLY: No.

24 SEN. CLERK: Kerschen?

25 SEN. KERSCHEN: Aye.



1 SEN. CLERK: Melcher?

2 SEN. MELCHER: Aye.

3 SEN. CLERK: O'Donnell?

4 SEN. O'DONNELL: Aye.

5 SEN. CLERK: Powell?

6 SEN. POWELL: Aye.

7 SEN. CLERK: Tyson?

8 SEN. TYSON: Aye.

9 SEN. CLERK: Masterson?

10 CHAIRMAN MASTERSON: Aye.

11 SEN. CLERK: Nine yay, two nay.

12 CHAIRMAN MASTERSON: On a vote of 9 to 2,
13 the bill passes out of committee. That was our
14 business and we are adjourned.

15 (THEREUPON, the hearing concluded at
16 12:44p.m.)

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C E R T I F I C A T E

STATE OF KANSAS

SS :

COUNTY OF SHAWNEE

I, Lora J. Appino, a Certified Court Reporter, Commissioned as such by the Supreme Court of the State of Kansas, and authorized to take depositions and administer oaths within said State pursuant to K.S.A. 60-228, certify that the foregoing was reported by stenographic means, which matter was held on the date, and the time and place set out on the title page hereof and that the foregoing constitutes a true and accurate transcript of the same.

I further certify that I am not related to any of the parties, nor am I an employee of or related to any of the attorneys representing the parties, and I have no financial interest in the outcome of this matter.

Given under my hand and seal this 26th day of June, 2016.

Lora J Appino

Lora J. Appino, C.C.R. No. 0602

